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MEMORANDUM FOR: attendees at
Yamal Pipeline meeting 27 August!

These items are of interest in relation to our discussions of 27 August on the prospects for world natural gas trade.

Date 31 Aug 1981

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Seagram Unit, Thai Firm Want Bangkok To Approve $3.5 Billion Gas Export Plan

WSJ 8/27/81

By Richard Borsuk
Special to The Wall Street Journal

BANGKOK—A unit of Seagram Co. of Canada and a Thai company have proposed a $3.5 billion liquefied natural gas project. But if the project can't be put together in 18 months, the local partner added, "it's dead."

The plan is being prepared by Texas Pacific Thailand Inc., which has discovered large reserves of natural gas in the Gulf of Thailand, and PSA Group, a diversified Thai concern involved in trade, publishing, management services and other businesses. Texas Pacific Thailand is a unit of Texas Pacific International, which is in turn a U.S. unit of Seagram.

The two companies recently signed an agreement to work together in making plans to liquefy the gas and export it, almost certainly to Japan. Texas Pacific Thailand estimates its gas reserves at 7.1 trillion cubic feet, at least.

While the concerns say the project must be arranged quickly, the plan is at such a preliminary stage that the companies aren't absolutely sure they can even export the gas from Thailand. If the companies get the Thai government assurances they are seeking, they hope to locate a buyer and contractor for an LNG plant that would be built near Songkhla in southern Thailand.

George McCoy, vice president and resident manager of Texas Pacific Thailand, said the "most logical choice" to build the plant and buy the LNG would be Mitsui & Co. of Japan, which has already submitted a tentative proposal to the Thai government to build an LNG plant valued at about $1 billion.

Texas Pacific and the Thai company estimate the cost of bringing up the gas from the Gulf of Thailand at between $600 million and $1.5 billion, depending on the number of platforms used. The plant to liquefy the gas could cost between $1 billion and $1.2 billion. Transporting the LNG to Japan and other costs, including a 130-mile pipeline to Songkhla, could take the total project cost up to about $3.5 billion.

Mr. McCoy and Paul Sithi-Amnuai, PSA Group chairman, said the project must be cleared while Thailand still has a chance to arrange a long-term sales contract with Japan.

In an Aug. 24 letter to Industry Minister Chatichai Choonhaven explaining the plan, Mr. McCoy said that if Thailand isn't in a position to commit gas to export quickly "there is a very real danger that its potential markets will be lost to other countries."

Texas Pacific first found gas in a concession in the Gulf of Thailand in 1977. In 1978, the company began negotiating with the Thai government on the price at which it would sell the gas for use in Thailand. The talks were predicted on the assumption that a 360-mile pipeline being built to fields of Union Oil Co. of Thailand 90 miles to the north would be extended to Texas Pacific fields because Thailand was keen to use as much natural gas as possible to reduce its heavy oil import bills. Union Oil Co. of Thailand is a unit of Union Oil of California.

However talks with Texas Pacific dragged on for more than three years before Thailand told the company the gas should be exported instead of used domestically because the costs of extending the pipeline were too high.

In announcing plans for the LNG project, Mr. McCoy said he has learned that fields in the Union concession can supply Thailand with all its foreseeable gas needs, leaving Texas Pacific's concessions for export.

Thailand would collect royalties on the gas plus tax on profits of the LNG company that would be set up, he noted.

But the question of whether Thailand will allow long-term gas exports remains a bit murky. Some Thai officials have expressed reservations about permitting export of the Texas Pacific gas if there is any chance Thailand itself may need it.

Despite the obstacles, PSA's Mr. Paul sees the project as significant for Thailand. It would bring Thailand more than $1 billion a year, he said, adding that this amount was greater than the value of Thailand's rice exports.

French May Seek Link between Algeria Prices For Gas, Other Projects

WSJ 8/27/81

Special to The Wall Street Journal

PARIS—A deadlock in negotiations between France and Algeria on a new pricing system for Algerian natural gas is likely to be broken within a broad political framework linking the issue with other industrial projects, a French government spokesman indicated.

The spokesman, Pierre Beregovoy, didn't elaborate on the other industrial subjects that will be discussed. He said that French President Francois Mitterrand has instructed Jean-Marcel Jeanneney, his personal representative, to seek a solution to the dispute between the two countries.

Mr. Jeanneney and Algerian officials will submit recommendations reached during their meeting to their respective governments, Mr. Beregovoy explained.

A French-Algerian summit meeting is scheduled for November, he added.

Negotiations between Gaz de France, a French government-owned enterprise, and Algeria's state-owned Sonatrach have been going on for more than 16 months. GDF has objected to Sonatrach's decision to boost the price of its gas to make it comparable with that of crude oil.

Algerian pricing talks with El Paso Natural Gas Co., a unit of El Paso Co. of Houston, have broken off, and gas deliveries have been suspended since April 1, 1980.

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